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FILE

DIRECTORATE OF INTELLIGENCE

1 July 1987

THE PERSIAN GULF: OPPORTUNITIES FOR THE SOVIETS

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Summary

Gulf state perceptions that Soviet involvement in the Persian Gulf would threaten regional stability are eroding, and the Soviets are increasing their contacts and presence in an area from which they have long been excluded. The threat posed by Iran to the Gulf states and mounting regional dissatisfaction with US policies are creating openings for Moscow and strengthening its claims to a legitimate role in Gulf security matters.

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Soviet support for Iraq and Kuwait as well as its calls for Iran to end the war have caused a deterioration in Soviet-Iranian relations. Moscow probably believes, however, that US-Iranian tensions put Washington in an even weaker position vis-a-vis Iran than Moscow. Recent statements by Iranian leaders that downplay Soviet-Iranian tensions and stress that the United States poses the greater threat to Gulf security suggest that this analysis is well-founded.

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Moscow will try to build on its gains in the region, hoping that its restraint will convince the Gulf states as well as a broader international audience of Soviet good intentions. The Soviets hope this approach as well as their efforts to demonstrate an interest in coordinating oil policy with the Gulf states will lead, eventually, to diplomatic relations with Saudi Arabia and closer contacts with all the Gulf states.

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By modifying its traditional opposition to superpower involvement in the Gulf, Kuwait has provided an example to other Arab states that striking a balance between Washington and Moscow can pay dividends. These states may use their growing contacts with Moscow to demonstrate to the United States that it must either respond positively to their desires (particularly their requests for arms) or face a continuing loss of credibility and influence in the region. [REDACTED]

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Soviet Goals and Tactics

We believe that the USSR is trying to exploit the current crisis in the Persian Gulf to:

- Undermine the US position in the region.
 - Stake out a role in Gulf security issues.
 - Strengthen contacts with the moderate Arab states of the Gulf and gain greater access to the financial assets of the region.
 - Reaffirm its good relations with Iraq and prevent further deterioration in relations with Iran.
 - Reinforce its image as a respectable world power seeking political rather than military solutions to regional conflicts.
- [REDACTED]

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The Soviets' current activity in the Gulf has a number of facets designed to advance these objectives. They have:

- Agreed to lease oil tankers to Kuwait, a decision which formally involves them in the major policy issue of the day--maintaining the security of Gulf shipping.
- Mounted a high-profile diplomatic effort designed to project the USSR as a responsible superpower trying to shape a political solution to a regional crisis. They are advocating multilateral consultations to guarantee the safety of Gulf shipping and advertising their efforts to work through the United Nations to end the war.
- Played to the concern of the smaller Gulf states that a greater US military presence in the Gulf will increase rather than ease tension. The Soviets have accused the United States of using

the crisis to expand its military and political "supremacy" and to push for access to military installations in the region.

- Highlighted their own comparatively low-level military activity in the Gulf. At a press conference on 6 June, Soviet First Deputy Foreign Minister Vorontsov stated that the USSR had no intention of augmenting its naval force (currently three minesweepers and one frigate) in the region. Foreign Ministry spokesman Ivanov also indicated in an interview with a Kuwaiti paper in early June that the USSR was not seeking access to military facilities in the Gulf although use of civilian facilities would be helpful.
- Continued diplomatic efforts to improve political and economic relations with the moderate states of the Gulf.
- Revived earlier proposals for an international agreement to insure Gulf security which includes securing shipping routes, excluding foreign military bases and nuclear weapons, and respecting the sovereign rights of regional states.
- Tried to exploit the decline in oil prices and the economic difficulties of Gulf states by blaming the situation on Western policies and indicating their own willingness to reduce oil exports as a gesture of goodwill to OPEC.
- Increased political and diplomatic support for Iraq.
- Put pressure on Tehran to end the war while trying to maintain formal relations and avoid confrontation.

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Gulf State Responses to Soviet Overtures

In recent years, the moderate Gulf states have become more receptive to dealing with the Soviet Union, and Moscow has made some tangible gains in the region. In part, these gains reflect the Gorbachev regime's more active diplomacy and its efforts to alter its international image. But we believe they are more fundamentally the result of shifting perceptions among the Gulf states about the threat posed by the Soviet Union. The intensification of the Iran-Iraq war and Iranian aggressiveness have focused Gulf state attention on Iran. Concern about Soviet expansionism also may have diminished as Moscow's "peace offensive" in Afghanistan conveys a preference for a reduced rather than a greater presence there. While Soviet involvement in the crisis in South Yemen in early 1986 may have slowed the shift in Gulf state perceptions, it apparently did not stop it.

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[redacted]

We believe that the growth of US military power in the region during the 1980s and moderate Arab dissatisfaction with a range of US policies have created growing Gulf sentiment in favor of establishing a better balance in relations with the superpowers. US policies which are in particular disfavor include support for Israel, the delivery of arms to Iran, and the obstacles to Arab purchases of US military equipment. US refusal to sell Stinger missiles to Kuwait, for example, led directly to Kuwaiti purchases of Soviet air-defense systems in 1984. [redacted]

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Soviet-Kuwaiti relations (which date from 1963) had been expanding even before the Soviets agreed to help protect Kuwaiti shipping by leasing tankers in March 1987. Press reporting indicates that bilateral exchanges increased in 1986-87, security talks were held before Kuwait hosted the Islamic summit in early 1987, and Kuwait recently syndicated a \$150 million loan to the USSR--at Soviet request, according to the US Embassy in Kuwait. The embassy also reports that the Kuwaiti Amir plans to visit Moscow next year; such a visit would further demonstrate the growing vitality of the bilateral relationship. [redacted]

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Moscow apparently has attached no strings to its agreement to help Kuwait in the shipping crisis. There is no indication that it is seeking access to facilities or any augmentation of its 20-man military mission currently in Kuwait. Nor is there any indication that Kuwait would be responsive to such a Soviet request. According to our embassy there, the Kuwaitis remain suspicious of Moscow and do not want an enhanced Soviet presence in the country. [redacted]

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The Soviets have kept a relatively low profile in Kuwait and presumably hope to use the relationship to demonstrate their ability to act as a responsible and useful political and economic partner. While other Gulf state leaders have been uneasy with Kuwait's relationship with Moscow over the years, some may well have been impressed by its ability to maintain relations with both East and West and to use its relations with Moscow for leverage in Washington without paying any apparent price in terms of independence and stability. [redacted]

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We believe that the decisions of both the United Arab Emirates and Oman to establish relations with the USSR in the fall of 1985 were the most dramatic manifestations of shifting Gulf perceptions of the USSR until Kuwait's request in March. The development of relations with both countries was slow at first, but the UAE has begun to respond more positively to Soviet overtures. Moscow sent several delegations to the UAE in 1986 and 1987, including a special envoy to explain the Soviet position at Reykjavik; an unofficial Soviet-Arab friendship delegation; an economic delegation to discuss a possible \$150 million loan; Deputy Foreign Minister Petrovskiy (April 1987); and a team to discuss a possible aviation agreement (May 1987). The UAE has responded by opening its mission in

Moscow in April and indicating that it has selected its ambassador. In May, it sent a military delegation to the Soviet Union to look at military equipment and, in late June, it reached an agreement with Moscow on the opening of an air route; this was the first official agreement signed by the two countries. [REDACTED]

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Oman has moved at a deliberate pace in its dealings with Moscow. The US embassy in Muscat reports that the non-resident Soviet ambassador, A. I. Zinchuk, has visited only three times. But Deputy Foreign Minister Petrovskiy's visit in April gave a somewhat higher profile to relations, and the Soviets may hope to open their embassy in Muscat next year. The Omanis have been particularly concerned about deepening US involvement in the Gulf and may try to distance themselves from Washington by moving forward in relations with Moscow. The US Embassy believes that they also may hope that closer ties with the Soviets will discourage renewed South Yemeni subversion against them. [REDACTED]

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The most important target of Soviet efforts in the Gulf is Saudi Arabia. In a recent interview with the Abu Dhabi press, Soviet Ambassador to the UAE Feliks Fedotov devoted the first third of his comments to the Saudis, and Saudi Deputy Defense Minister Mansuri has indicated that the Soviets approach Riyadh about once a month with suggestions for expanding contacts. Through their actions, including developing relations with other members of the Gulf Cooperation Council, we believe the Soviets hope to show the Saudis that they do not pose a threat to the security of the region. [REDACTED]

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Our embassy in Riyadh believes the Soviets have had some success in winning Saudi acceptance over the past year. In talks with US officials, Foreign Minister Saud, for example, has often suggested that Soviet policy under Gorbachev may be shifting toward greater moderation. Saud supports a Soviet role in a Middle East peace conference and told the US Ambassador in April that the Soviets have legitimate regional interests which must be taken into account. The Saudis have been receptive to Soviet support for a strong UN resolution on the Gulf war and were pleased by Moscow's warm reception of an Arab League delegation which visited Moscow in May seeking support for this approach. Riyadh also shares the Soviet desire for PLO unity and a reconciliation between Syria and Iraq. [REDACTED]

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In early 1987, Saudi Oil Minister Nazir visited Moscow and, according to press accounts, held talks with Soviet officials about oil exports and pricing on behalf of OPEC. Although the visit accomplished little of substance, it had symbolic importance because it was treated as an official

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visit by the Saudis.* During the visit, the Soviets indicated that they would support OPEC efforts to stabilize the oil market and would reduce their own exports. Soviet press spokesman Gerasimov indicated in a press conference last August that Moscow had made a similar pledge to Iran. This reflects a shift from the the USSR's previous reluctance to make any concessions to OPEC. [REDACTED]

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King Fahd remains strongly anti-communist, and continued Saudi opposition to Soviet involvement in Afghanistan makes it unlikely that the Saudis will establish diplomatic relations with Moscow in the near future. But the Saudis do not appear concerned by the development of Soviet ties to other Gulf states and even Fahd's perceptions appear to be shifting. In an unprecedented statement to the press in late February, he described the Saudi Oil Minister's visit to Moscow as "fruitful." The US Embassy in Riyadh believes that Moscow's pursuit of a restrained policy combined with ongoing dissatisfaction with US policies probably will lead to a more nuanced Saudi policy toward the USSR. [REDACTED]

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Moscow's Balance Between Iran and Iraq

The Soviets probably believe that the current crisis in the Gulf is proving far more damaging to the US position in Tehran than to their own and that any escalation of tension and conflict will further undermine US prospects in Iran. They may hope that the current deterioration in their own relations with Iran--triggered by their continued support for Iraq, their pressure on Tehran to end the war, and their agreement to help the Kuwaitis--will prove short-lived and will not damage their long-term position in Tehran. [REDACTED]

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But Soviet policies have reflected their willingness to accept Iranian animosity in the interest of pursuing their broader goals in the Gulf. Since 1982, Soviet policy toward Iran has been characterized by the maintenance of formal contacts but a refusal to make any political or economic gestures not matched by concrete Iranian concessions. Under Gorbachev, the Soviet dialogue with Iran has increased, but no action has been taken to eliminate specific obstacles to improved relations, such as returning Soviet experts to Iran or resuming natural gas deliveries to the USSR. [REDACTED]

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Since the beginning of the Iran-Iraq war in 1980, the Soviets consistently have indicated that they would like it to end quickly--and without a clear victor. They do not want a stronger and more independent

*Saudi Foreign Minister Saud visited Moscow several years ago as a member of an Arab League delegation, but the Saudis did not treat it as an official visit. [REDACTED]

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[redacted]

Iraq with its current inclination to align itself with the West and moderate Arabs. And they certainly do not want a strengthened Iran capable of exporting Islamic fundamentalism in the region. Since 1982, when Iran expelled the Iraqis from Iranian territory and moved into Iraq, the Soviets have supported the Iraqi position in the war. Soviet arms deliveries, extensions of credit, and support for Iraq's efforts to end the war have helped improve the atmosphere of what previously had been a very strained relationship. Iraq's willingness to upgrade its relations with Afghanistan, demonstrated by its signing of an economic agreement in early June, showed Iraqi gratitude for the support it is receiving from Moscow.

[redacted]

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In our view, Moscow's concern with new Iranian advances on the ground in Iraq in late 1986 and early 1987, particularly the threat to Basrah, led to increased Soviet support for Baghdad and pressure on Iran to end the war. The Soviets issued a statement in January that called for an immediate end to the war, and they have indicated support for a UN resolution putting pressure on Iran and Iraq to end the war--although it is not clear they would endorse sanctions for non-compliance. We believe that this position, as well as Moscow's active efforts to reconcile Syria and Iraq and its agreement to aid Kuwait, fueled Iranian hostility to Moscow and provoked an Iranian attack on a Soviet ship in early May.

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Moscow and Tehran share an interest in preventing further deterioration in relations and in avoiding confrontation in the Gulf. Following the Iranian attack on their ship, the Soviets protested and issued veiled warnings against further attacks. But they have avoided specific threats and have focused on appealing to the international community to help prevent such incidents.

[redacted]

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By late May, as the United States began to increase its naval presence in the Gulf and stressed its determination to defend US-flag vessels, there were indications that Iran wanted to limit the damage to its relations with the USSR and avoid confronting both superpowers simultaneously. The level of Iran's anti-Soviet rhetoric was reduced, and Iran invited Soviet First Deputy Foreign Minister Vorontsov to visit Tehran, presumably to defuse the situation. According to Iranian press accounts, Iranian leaders who met with Vorontsov in mid-June asserted that Iran desired friendly relations with the USSR and stressed that it was the United States which posed the threat to Gulf security. In a departure from normal practice, they apparently did not refer to Soviet support for Iraq nor did they condemn the Soviet presence in Afghanistan. For his part, Vorontsov publicly characterized the visit as having had "positive results," stressed Moscow's desire for friendship and cooperation, and invited Prime Minister Musavi and Majles Speaker Rafsanjani to visit the USSR.

[redacted]

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Despite this common interest in limiting areas of danger, neither Iran nor the Soviet Union appears willing to modify its basic policy in the region. The Iranian press reported that Iranian leaders told Vorontsov, for example, that Iran would continue the war until Saddam Husayn was overthrown and would confront "any foreign power" in order to secure the safety of the Persian Gulf. Iran continues to charge that it is Iraq which is responsible for the dangerous situation in the Gulf. [REDACTED]

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The Soviets apparently remain committed to their support for Iraq and their agreement with Kuwait as well as to putting pressure on Iran to end the war. Vorontsov visited Iraq after he left Tehran, and there was no indication that he was urging Iraq to halt its attacks on Gulf shipping. Shortly after his visit, in fact, Baghdad resumed its attacks, which had been halted after the USS Stark incident of May. [REDACTED]

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Prospects and Implications

We expect the Soviets to continue to make gains in relations with moderate Arab Gulf states. They will try to use their relationships with the UAE and Oman to demonstrate their acceptability, and they will try to capitalize on their current support for Kuwait to show that they can play a constructive role in Gulf security matters. The shipping crisis will provide a setting in which they can demonstrate their peaceful intentions and respectability and establish their increased presence in the region. [REDACTED]

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Arms sales are likely to help Moscow expand its relations with the moderate Gulf states. Kuwait already has purchased air defense systems in the USSR, and the UAE apparently has begun to shop for military equipment. Current Saudi difficulties in purchasing weapon systems in the United States will lend weight to the arguments of those moderate Arabs who maintain that creating balance between the superpowers is the only way to exert leverage on Washington. [REDACTED]

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Moscow almost certainly will try to avoid appearing confrontational or militant. Soviet propaganda is geared to contrasting "aggressive, neo-globalist" US policies with Moscow's peaceful, low-key posture. The Gulf states have few illusions about Soviet objectives in the region, however, and would almost certainly slow the pace of their expanding ties with Moscow if the Soviets blatantly moved to use the crisis to build their own military position in the region. [REDACTED]

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Although the Soviets undoubtedly would like to be seen as peacemakers in the Gulf and would like to broker an end to the war, they are unlikely to become actively involved in mediation between Iran and Iraq in the near term. The incompatibility of the Iranian and Iraqi positions makes aggressive mediation politically risky, and Moscow will want to avoid getting out in front of the Arab states in pushing solutions and applying pressure. [REDACTED]

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Escalation of the military conflict in the Gulf would present the Soviets with some policy problems--but with new opportunities as well. The Soviets already are charging that the US plans to launch a preemptive strike against Iran, describing such plans as part of the aggressive and dangerous US posture in the region. They would try to convert a US strike against Iran (whether preemptive or in response to an Iranian attack on a US ship) to their advantage, by contrasting their own restraint with the "destabilizing" actions of Washington. [REDACTED]

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Both Moscow and Tehran currently seem determined to prevent a confrontation in the Gulf. Should Iran attack a Soviet ship, however, Moscow would be faced with a difficult choice. On the one hand, it could decide to retaliate or increase its military capability in the region. Either of these alternatives would undermine its claims of restraint and further damage relations with Iran. On the other hand, it could do nothing and thereby reduce its credibility as a participant in insuring Gulf security. We believe that Moscow most likely would upgrade its military capability in an effort to deter further attacks and maintain credibility but to the minimum necessary--and thus try to sustain its current policy approach. [REDACTED]

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SUBJECT: The Persian Gulf: Opportunities for the Soviets

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